
**FORM OF
STOCK RESTRICTIONS AGREEMENT**

by and among

**PREMERA,
a Washington nonprofit miscellaneous corporation,**

**NEW PREMERA CORP.,
a Washington corporation,**

and

**the [Foundation Shareholder],
a Washington nonprofit corporation,**

Dated as of [], 200[]

STOCK RESTRICTIONS AGREEMENT

This Stock Restrictions Agreement (the "Agreement") is made and entered into by and among PREMERA, a Washington nonprofit miscellaneous corporation, [New PREMERA Corp.], a Washington corporation, and [Foundation Shareholder], a Washington nonprofit corporation (the "Foundation").

RECITALS

WHEREAS, the Members of PREMERA (the "Members") adopted amendments to PREMERA's articles of incorporation that, among other things, provide that the Foundation is PREMERA's sole voting member (the "Amendments"); and

WHEREAS, the Members adopted the Amendments in anticipation of the execution of (a) the transaction documents set forth in Exhibit A, which is attached hereto and incorporated by this reference herein (collectively, the "Transaction Documents"); (b) that certain Acknowledgement and Consent of [Foundation Shareholder], executed on _____, 200__ (the "Consent"); and (b) this Agreement; and

WHEREAS, the Foundation's membership rights pursuant to the terms of the Amendments include the right, subject to certain conditions, to receive PREMERA's assets on its dissolution; and

WHEREAS, contemporaneously with the execution of this Agreement, PREMERA will take all actions and execute all documents necessary to effect its dissolution; and

WHEREAS, as a result of such dissolution, the Foundation will acquire PREMERA's assets, which include [] shares of [New PREMERA Corp.'s] common stock, [] par value per share (the "Common Stock"), representing 100% of the issued and outstanding shares of the Common Stock; and

WHEREAS, the Foundation agreed, pursuant to the Consent, that any assets it received on PREMERA's dissolution are subject to certain limitations; and

WHEREAS, the Foundation hereby acknowledges that receipt of the Common Stock is contingent upon its acknowledgement that the Common Stock and any income and proceeds generated thereon are subject to the conditions, restrictions and limitations contained herein;

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

EXPENDITURE OF PROCEEDS

Section 1.01. Permissible Purposes. The Foundation hereby acknowledges and agrees that the proceeds from the sale of the Common Stock and any amounts generated by such proceeds (“Common Stock Proceeds”) may be expended, transferred or used solely to promote the health of the residents of the states of Washington and Alaska by:

[Purposes to be finalized after further discussion between PREMERA and state officials, taking into account input from interested members of the community.]

- (a) improving the availability of quality, affordable health care and related services;
- (b) addressing the unmet health care needs of uninsured and underinsured populations;
- (c) supporting the education of health care providers to increase the number of active physician and non-physician providers and developing more efficient and effective health care delivery models;
- (d) supporting programs of medical, surgical and other scientific research aiming to (i) make health care delivery more comprehensive and flexible, and (ii) develop and promote the most efficient uses of health care facilities, resources and services;
- (e) supporting initiatives to address short and long-term public health care needs and concerns;
- (f) providing grants and establishing programs to carry out such purposes; and
- (g) otherwise serving the health care needs of residents of the states of Washington and Alaska;

provided, however, that in no event will Common Stock Proceeds be used for the Impermissible Purposes set out in Section 1.02 of this Agreement.

Section 1.02. Impermissible Purposes. The Foundation shall not expend, pledge, transfer or otherwise use Common Stock Proceeds in furtherance of the following:

- (a) activities that, within the meaning of the Internal Revenue Code of 1986, as amended (the “Code”), would be lobbying, the carrying on of propaganda or otherwise attempting to influence legislation;
- (b) any political campaign on behalf of (or in opposition to) any candidate for public office; or

(c) activities, programs or initiatives that likely would result in material adverse changes in the operations of entities engaged in the business of providing coverage of or the administration of health benefits, including, without limitation, any health insurer, health care service contractor, hospital and medical service corporation, health carrier, health maintenance organization or health plan in Washington or Alaska (collectively, "Health Insurers").

Further, the Foundation shall not expend, transfer or otherwise use any of its assets from any source whatsoever in furtherance of activities, programs or initiatives described in subparagraphs (b) and (c) of this Section.

ARTICLE II

DISBURSEMENTS OF PROCEEDS

Section 2.01. Allocation of Disbursements. Subject to the provisions set forth in Section 2.04 of this Agreement ("Board Discretion"), [____ ()]% of the Common Stock Proceeds shall be distributed primarily for the benefit of the residents of Alaska (the "Alaska Proceeds") and [____ ()]% of the Common Stock Proceeds shall be distributed primarily for the benefit of the residents of Washington (the "Washington Proceeds"); notwithstanding the foregoing, a portion of the Common Stock Proceeds may be retained by the Foundation to defray its reasonable direct administrative expenses.

Section 2.02. Disbursements. Subject to the provisions set forth in Section 2.04 of this Agreement ("Board Discretion") and the Indemnification Agreement, disbursements of Alaska Proceeds shall be made to the [Alaska Charitable Organization], an Alaska nonprofit corporation, (the "Alaska Charitable Organization") and disbursements of Washington Proceeds shall be made to the [Washington Charitable Organization], a Washington nonprofit corporation, (the "Washington Charitable Organization") each time the Foundation sells the Common Stock and such disbursements shall occur within [thirty (30)] days after such sale.

Section 2.03. Manner of Making Disbursements.

(a) All disbursements of Alaska Proceeds to the Alaska Charitable Organization shall be made via wire transfer of immediately available funds to the following account of the Alaska Charitable Organization or such other account as the Alaska Charitable Organization shall direct by providing written notice pursuant to Section 6.02 of this Agreement: _____.

(b) All disbursements of Washington Proceeds to the Washington Charitable Organization shall be made via wire transfer of immediately available funds to the following account of the Washington Charitable Organization or such other account as the Washington Charitable Organization shall direct by providing written notice pursuant to Section 6.02 of this Agreement: _____.

Section 2.04. Board Discretion. The Foundation's Board of Directors shall have the discretion to refrain from making a distribution of:

(a) Alaska Proceeds, if the Alaska Charitable Organization (i) has dissolved; (ii) fails to maintain its tax-exempt status under Section 501(c)(3) of the Code; (iii) has amended, altered or repealed Article III ("Purposes and Powers"), Article IV ("Limitations"), Article V ("Members"), Article IX ("Bylaws") or Article X ("Amendments") of its Articles of Incorporation or otherwise amended its Articles of Incorporation so as to materially alter its purposes or structure; (iv) has amended, altered or repealed Article III ("Board of Directors"), Section 4.7 ("Quorum"), Section 4.8 ("Manner of Acting"), Section 4.11 ("Observation Rights"), Article V ("Actions By Unanimous Consent in Lieu of Meeting"), or Section 9.6 ("Amendment of Bylaws") of its Bylaws; or (v) is operating in a manner inconsistent with its charitable purposes or in violation of the restrictions set forth in Article I hereof. If the Board of Directors of the Foundation refrains from making a distribution of Alaska Proceeds to the Alaska Charitable Organization based on the foregoing, then such Alaska Proceeds shall be distributed to one or more Alaska nonprofit corporations recognized as exempt from taxation under Section 501(c)(3) of the Code, and that commit in writing to use such funds exclusively to accomplish the purposes described in Section 1.01 of this Agreement and subject to the limitations described in Section 1.02 of this Agreement.

(b) Washington Proceeds, if the Washington Charitable Organization (i) has dissolved; (ii) fails to maintain its tax-exempt status under Section 501(c)(3) of the Code; (iii) has amended, altered or repealed Article III ("Purposes and Powers"), Article IV ("Limitations"), Article V ("Members"), Article IX ("Bylaws") or Article X ("Amendments") of its Articles of Incorporation or otherwise amended its Articles of Incorporation so as to materially alter its purposes or structure; (iv) has amended Article III ("Board of Directors"), Section 4.7 ("Quorum"), Section 4.8 ("Manner of Acting"), Section 4.11 ("Observation Rights"), Article V ("Actions By Unanimous Consent in Lieu of Meeting"), or Section 9.6 ("Amendment of Bylaws") of its Bylaws; or (v) is operating in a manner inconsistent with its charitable purposes or in violation of the restrictions set forth in Article I hereof. If the Board of Directors of the Foundation refrains from making a distribution of Washington Proceeds to the Washington Charitable Organization based on the foregoing, then such Washington Proceeds shall be distributed to one or more Washington nonprofit corporations recognized as exempt from taxation under Section 501(c)(3) of the Code, and that commit in writing to use such funds exclusively to accomplish the purposes described in Section 1.01 of this Agreement and subject to the limitations described in Section 1.02 of this Agreement.

ARTICLE III

OTHER CONDITIONS

Section 3.01. No Amendments. The Foundation acknowledges the importance of the structure and content of its governing documents to its receipt of proceeds from the liquidation of PREMERA and accordingly the Foundation shall not (i) amend, alter or repeal Article I (“Name”), Article II (“Duration”), Article III (“Purposes and Powers”), Article IV (“Limitations”), Article V (“Members”), Article VI (“Directors”), Article IX (“Bylaws”), Article X (“Amendment”), Article XII (“Dissolution”) of its Articles of Incorporation or otherwise amend its Articles of Incorporation so as to materially alter its purposes or structure; or (ii) amend, alter or repeal Article III (“Board of Directors”), Section 4.7 (“Quorum”), Section 4.8 (“Manner of Acting”), Section 4.11 (“Observation Rights”), Article V (“Actions by Unanimous Consent in Lieu of Meeting”), or Section 9.6 (“Amendment of Bylaws”) of its Bylaws without New PREMERA Corp.’s prior written consent.

Section 3.02. Distribution Requirements. Before the Foundation distributes any Common Stock Proceeds to the Alaska Charitable Organization, the Washington Charitable Organization or other organization exempt from taxation under Section 501(c)(3) of the Code (collectively, “Charitable Organizations”), the Foundation will enter into an agreement with the applicable Charitable Organization that:

(a) requires that such proceeds be expended, pledged, transferred and used only in furtherance of the purposes set forth in Section 1.01 of this Agreement and subject to the limitations set forth in Section 1.02 of this Agreement;

(b) provides the Foundation with the right to injunctive relief to enforce its rights under such agreement;

(c) provides that the Foundation shall assign its right to pursue injunctive relief to enforce the terms of such agreement to New PREMERA Corp.; and

(d) requires such Charitable Organization to provide the Foundation with a summary of the charitable programs and activities supported by the Common Stock Proceeds.

Section 3.03. Assignment of Right to Injunctive Relief. If the Foundation, at any time in the reasonable judgment of New PREMERA Corp., fails to enforce its right to injunctive relief pursuant to any agreement described in Section 3.02, the Foundation shall promptly, but in no event later than ten (10) days after receipt of written notice thereof from New PREMERA Corp., assign such enforcement rights to New PREMERA Corp.

Section 3.04. Record Maintenance and Inspection. The Foundation agrees to maintain adequate records to enable expenditure of the proceeds from the sale of the Common Stock and distribution of proceeds to the Charitable Organizations to be easily confirmed. The Foundation will make its books and records available for inspection by [New PREMERA Corp.] at

reasonable times and permit [New PREMERA Corp.] to monitor and conduct an evaluation of operations under this Agreement, which may include a visit by [New PREMERA Corp.] personnel to observe the Foundation's activities, a discussion of such activities with the Foundation's Board of Directors, agents or employees, and a review of financial and other records connected with this Agreement.

Section 3.05 Distribution on Dissolution. Upon the winding up and dissolution of the Foundation, the assets of the Foundation remaining after payment of, or provision for payment of, all debts and liabilities of the Foundation, shall be distributed as follows:

(a) [____ ()]% of the assets of the Foundation's remaining assets (the "Alaska Assets") shall be distributed to the Alaska Charitable Organization, provided that none of the events specified in Section 2.04(a)(i) through (v) of this Agreement has occurred. If one or more of the events specified in Section 2.04(a)(i) through (v) has occurred, then the Alaska Assets shall be distributed to one or more Alaska nonprofit corporations recognized as exempt under Section 501(c)(3) of the Code, and used exclusively to accomplish the purposes described in Section 1.01 of this Agreement and subject to the limitations described in Section 1.02 of this Agreement.

(b) [____ ()]% of the Foundation's remaining assets (the "Washington Assets") shall be distributed to the Washington Charitable Organization, provided that none of the events specified in Section 2.04(b)(i) through (v) of this Agreement has occurred. If one or more of the events specified in Section 2.04(b)(i) through (v) has occurred, then the Washington Assets shall be distributed to one or more Washington nonprofit corporations recognized as exempt under Section 501(c)(3) of the Code, and used exclusively to accomplish the purposes described in Section 1.01 of this Agreement and subject to the limitations described in Section 1.02 of this Agreement .

ARTICLE IV

FOUNDATION REPRESENTATIONS AND WARRANTIES

The Foundation hereby represents and warrants to PREMERA and [New PREMERA Corp.] that:

(a) the Foundation is a nonprofit corporation duly organized, validly existing and in good standing under the laws of the State of Washington;

(b) the Foundation has been recognized by the Internal Revenue Service as exempt from federal taxation under Section 501(c)(4) of the Code;

(c) the Foundation has the corporate power to execute, deliver and perform its obligations under this Agreement;

(d) the Foundation has authorized the execution, delivery and performance of its obligations under this Agreement by all necessary corporate action;

- (e) the Foundation has duly executed and delivered this Agreement;
- (f) the execution and delivery by the Foundation of this Agreement and the performance by the Foundation of its obligations hereunder (i) do not violate its articles of incorporation or bylaws and (ii) do not breach or result in a default under any agreement to which the Foundation is a party;
- (g) the Foundation has not (i) amended, altered or repealed its Articles of Incorporation; or (ii) amended, altered or repealed its Bylaws; and
- (h) as of the Effective Date of this Agreement, the Foundation is not in breach of its obligations hereunder.

ARTICLE V

TERM AND TERMINATION

This Agreement shall be effective upon the issuance of the Common Stock to the Foundation pursuant to PREMERA's Plan of Distribution (the "Effective Date") and shall terminate when the Foundation ceases to own any of New PREMERA Corp.'s Common Stock and has distributed all of the proceeds from the sale of the Common Stock; provided that Section 1.02 of this Agreement shall survive termination of this Agreement. Upon the occurrence of the foregoing, the Foundation agrees to provide, pursuant to Section 6.02 of this Agreement: (a) notice that the Foundation has ceased to own any shares of the Common Stock and has distributed all of the proceeds from the sale of the Common Stock; (b) a final accounting of all funds received and all funds disbursed; and (c) a summary of charitable activities supported by the Foundation's disbursements of Common Stock Proceeds to Charitable Organizations.

ARTICLE VI

MISCELLANEOUS

Section 6.01. Successors and Assigns. This Agreement shall bind and inure to the benefit of the parties and each and all of their respective heirs, executors, administrators, successors and assigns.

Section 6.02. Notices. All notices, consents, requests, demands and other communications hereunder shall be in writing, and shall be deemed to have been duly given or made: (a) when delivered in person, (b) three (3) days after deposited in the United States mail, first class postage prepaid, (c) in the case of telegraph or overnight courier services, one (1) business day after delivery to the telegraph company or overnight courier service with payment provided, or (d) in the case of telex or telecopy or fax, when sent, verification received; in each case addressed as follows:

- (i) if to PREMERA:

PREMERA
P.O. Box 327
Mail Stop 316
Seattle, Washington 98111
Attention: John P. Domeika,
Senior Vice President and General Counsel
Facsimile: (425) 670-5267

with a copy to:

Preston Gates & Ellis LLP
701 5th Avenue, Suite 5000
Seattle, Washington 98104
Attention: C. Kent Carlson
Facsimile: (206) 623-7022

and

Sullivan & Cromwell
125 Broad Street
New York, New York 10004
Attention: William D. Torchiana
Facsimile: (212) 558-3588

- (ii) if to [New PREMERA Corp.]:

[New PREMERA Corp.]
P.O. Box 327
Mail Stop 316
Seattle, Washington 98111
Attention: John P. Domeika,
Senior Vice President and General Counsel
Facsimile: (425) 670-5267

with a copy to:

Preston Gates & Ellis LLP
701 5th Avenue, Suite 5000
Seattle, Washington 98104
Attention: C. Kent Carlson
Facsimile: (206) 623-7022

and

Sullivan & Cromwell
125 Broad Street
New York, New York 10004
Attention: William D. Torchiana
Facsimile: (212) 558-3588

(iii) if to the Foundation:

Attention: _____
Facsimile: _____

with a copy to:

Attention: _____
Facsimile: _____

Section 6.03. Governing Law and Jurisdiction. This Agreement shall be governed by and construed in accordance with the laws of the State of Washington, without regard to Washington's conflict of law or choice of law rules. The parties irrevocably submit to the exclusive jurisdiction of the state and federal courts situated in King County, Washington in any proceeding relating to this Agreement, and agree that any process or summons in any such action may be served by providing to the party a copy thereof in accordance with the notice provisions of this Agreement.

Section 6.04. Attorneys' Fees. In the event of any suit or other proceeding between the Members and the Foundation with respect to the subject matter hereof, the prevailing party shall, in addition to such other relief as the court may award, be entitled to recover reasonable attorneys' fees, expenses and costs of investigation, all as actually incurred, including, without limitation, attorneys' fees, costs and expenses of investigation incurred in appellate proceedings or in any action or participation in, or in connection with, any case or proceeding under Chapters 7, 11 and 13 of the United States Bankruptcy Code or any successor thereto.

Section 6.05. Injunctions; Specific Performance. Each party hereto acknowledges and agrees that the rights and obligations set forth in this Agreement are unique and of such a nature as to be inherently difficult or impossible to value monetarily and irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with its specific terms or were otherwise breached. Therefore, each party hereto shall be entitled to an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically the terms and provisions hereof in any court having jurisdiction, such

remedy being in addition to any other remedy to which such party may be entitled at law or in equity.

Section 6.06. Fair Construction. This Agreement is the product of negotiation and shall be deemed to have been drafted by all of the parties. It shall be construed in accordance with the fair meaning of its terms and its language shall not be strictly construed against, nor shall ambiguities be resolved against, any particular party.

Section 6.07. Amendments and Waivers. No amendment, modification, supplement, termination, consent or waiver of any provision of this Agreement, and no consent to any departure herefrom, shall in any event be effective unless the same is in writing and is signed by the party against whom enforcement of the same is sought. Any waiver of any provision of this Agreement and any consent to any departure from the terms of any provision of this Agreement shall be effective only in the specific instance and for the specific purpose for which given. No delay on the part of any party hereto in exercising any right, power or privilege hereunder shall operate as a waiver thereof, no waiver on the part of any party hereto of any right, power or privilege hereunder shall operate as a waiver of any other right, power, or privilege hereunder, and no single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder. The waiver or consent (whether express or implied) by any party of the breach of any term or condition of this Agreement shall not prejudice any remedy of any other party in respect of any continuing or other breach of the terms and conditions hereof, and shall not be construed as a bar to any right or remedy which any party would otherwise have on any future occasion under this Agreement.

Section 6.08. Entire Agreement. This Agreement, including any exhibits or attachments referred to herein, together with the Foundation's articles of incorporation and bylaws and other Transaction Documents, contain the entire agreement between the parties hereto regarding the subject matter hereof and may not be amended, altered or modified except by a writing signed by the parties hereto. This Agreement supersedes all prior agreements, representations, warranties, statements, promises, information, arrangements and understandings, whether oral or written, express or implied, with respect to the subject matter hereof, all of which are specifically integrated into this Agreement; provided that this Agreement shall not be interpreted as superseding any of the other Transaction Documents. No party hereto shall be bound by or charged with any oral or written agreements, representations, warranties, statements, promises, information, arrangements or understandings, express or implied, not specifically set forth herein or in the Transaction Documents; and the parties hereto further acknowledge and agree that in entering into this Agreement they have not in any way relied and will not rely in any way on any of the foregoing not specifically set forth herein or in the Transaction Documents.

Section 6.09. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 6.10. Descriptive Headings. The descriptive headings used herein are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

Section 6.11. Severability. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstances, shall be held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be in any way impaired thereby, it being intended that all remaining provisions contained herein shall not be in any way impaired thereby.

[Remainder of this page left intentionally blank.]

IN WITNESS WHEREOF, the parties have executed this Agreement as of _____, 200__.

[PREMERA]

By: _____
Name: _____
Title: _____

[New PREMERA Corp.]

By: _____
Name: _____
Title: _____

[FOUNDATION SHAREHOLDER]

By: _____
Name: _____
Title: _____

EXHIBIT A

THE TRANSACTION DOCUMENTS